

**SECTION-BY-SECTION ANALYSIS OF LEGISLATION TO
REVITALIZE RURAL MULTIFAMILY HOUSING**

Section 1(a). Provides for a conforming caption for the beginning of Title V of the Housing Act of 1949.

Section 1(b). Revitalization of Multifamily Housing. Title V of the Housing Act of 1949 is amended by adding:

Subtitle B B Revitalization and Tenant Protection Vouchers

Section 550. Purpose. The legislation is intended to strengthen the multifamily housing program, promote revitalization of the portfolio, and protect tenants from displacement.

Section 551. Definitions. Basic terms are defined for the purpose of the legislation.

Subsection (1) Basic Restructuring. This term means to revitalize a project using one or more of the listed tools. They include the reduction or elimination of interest, partial or full deferral of loan payments, forgiveness of debt, subordination of debt, reamortization of loan payments, grants, and payment of owner costs to develop a long term use agreement.

Subsection (2) Eligible Loans. Only loans made prior to January 1, 1992 are eligible to participate.

Subsection (3) Good Standing. The Secretary may determine that only borrowers in good standing are eligible to participate in a loan restructuring. Owners may be rejected if they have a history of poor management or performance and have not corrected the deficiencies, the owner is in default, it takes too long to enter into a restructuring agreement, the owner is suspended or debarred, or the Secretary has other good cause.

Subsection (4) Leveraged Restructuring. Defines that a restructuring becomes leveraged when a basic restructuring is performed and additional capital is provided from outside of the Department.

Subsection (5) Long Term Use Agreement. Defines the components and period of the new restricted use agreement that will be provided when a borrower agrees to revitalize the property. The agreement will include the owner=s agreement to new restrictions for a period of 20 years, the project=s financial and long term viability plan, terms under which any performance incentives under section 552 (e) are provided, terms of any other assistance provided by the Secretary, terms of the shared value agreement, and any other terms necessary for the Secretary to implement the agreement. The agreement will apply to the project regardless of the ownership, or continued existence of the loan or rental assistance.

Subsection (6) Long Term Viability Plan . This plan will describe the full extent of repairs, improvements, maintenance and management standards for a project and their costs during a 20 year period.

Subsection (7) Project Financial Plan. Describes how the financial needs of the property and the owner will be met after a restructuring transaction. The plan describes how the project will finance the needs of the long term viability plan, cover operating expenses, and maintain adequate financial reserves for the future maintenance and capital needs of the project. It will also outline the owner=s long term rate of return on capital and any other applicable incentives.

Subsection (8) Project Owner. Defines that owners participating in the restructuring program must be a Section 515 borrower in good standing.

Subsection (9) Secretary. Means the Secretary of Agriculture.

Subsection (10) Section 515 Housing Program. Means the program authorized under Section 515 of the Housing Act of 1949.

Section 552. Revitalization.

Subsection (a) In General. Authorizes the Secretary to make financial and other assistance to borrowers in good standing to revitalize the Section 515 portfolio.

Subsection (b) Types of Restructuring. As part of a long term use agreement and financial plan, the Secretary may approve either a basic or leveraged restructuring agreement. A principle component may be debt deferral. The net present value of the assistance provided may not exceed 50 percent of the replacement cost of the project.

Subsection (c) Shared Value Agreements. At the end of the term of the loan, the owner must pay back the lesser of the value of debt restructuring components, any outstanding principal or interest, and any non-loan funds provided by the Secretary, or 75 percent of the appraised value of the project.

Subsection (d) Project Owner Incentives and Penalties. The Secretary may include terms in the long term use agreement that would provide financial incentives for exceeding requirements of the agreement and penalties for failing to meet them.

Subsection (e) Administration.

Paragraph (1) Rents. The Secretary may allow rents in units= not allocated rental assistance to increase annually to a level not to exceed 40 percent of area median income. For units allocated rental assistance, the Secretary may allow rents to increase annually, but without the 40 percent of area median income limitation.

All tenants receiving rental assistance will be subject to a minimum \$25 per month rental payment.

Paragraph (2) Loan Restructuring Standards. In accordance with a project financial plan approved under this subtitle, the Secretary may subordinate a section 515 loan or make or guarantee a new loan with as low as zero interest rate without regard to the value of the property.

Paragraph (3) Lowest Cost to the Secretary. The Secretary shall approve project financial plans that establish the least cost to the Secretary.

Paragraph (4) Offers of Long Term Use Agreements . If an owner rejects a long term use agreement offered by the Secretary, the Secretary may establish a process by which that owner could be offered future agreements.

Paragraph (5) Fees. The Secretary may charge fees to owners that seek a long term use agreement.

Section 553. Tenant Protection Vouchers

Subsection (a) Vouchers. If an owner prepays a section 515 loan, the Secretary may provide affected tenants with a voucher. The voucher may be used for rent or to make payments to purchase a single family home anywhere in the United States. A tenant may not receive a voucher and section 521 rental assistance at the same time.

Subsection (b) Amount of Voucher. For tenants receiving rental assistance at the time of prepayment, the amount of the vouchers will be the difference between a payment standard established by the Secretary (which is the lesser of the amount the tenant actually paid in rent and the rent for a comparable unit in the area) based on fair market rents and 30 percent of the tenant=s adjusted monthly income. For tenants not receiving rental assistance at the time of prepayment, the amount of the voucher will be the difference between a payment standard established by the Secretary based on fair market rents and the amount of the tenant=s monthly rent payment at the time of prepayment. To remain eligible for a voucher, a tenant must meet an income eligibility test.

Section 554. Authorization of Appropriations. Such sums as necessary may be appropriated

Conforming Amendments. Removes the current prepayment restrictions.